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This is the author's version of a work that was submitted/accepted for publication in the following source:

Gruenhagen, Jan

(2015)

The impact of international potentials, entrepreneurial motivations and firm stages on new venture internationalisation. In

Davidsson, Per (Ed.)

Australian Centre for Entrepreneurship Research Exchange Conference 2015 Proceedings 2015 Proceedings, Adelaide, South Australia, pp. 298-312.

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The Impact of International Potentials, Entrepreneurial Motivations and Firm Stages on New Venture Internationalisation

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The Impact of International Potentials, Entrepreneurial Motivations and Firm Stages on New Venture Internationalisation

ABSTRACT

Past research on early internationalising firms often examined factors and motivations potentially influencing internationalisation activities separately. The purpose of this paper was to investigate a set of indicators and their interplay with each other. Firstly, the impact of (a) international potential in the form of the depth and diversity of international experience and network contacts was investigated. Secondly, it was examined to what extent (b) motivational factors and (c) firm stages affect the relationship between international potential and internationalisation activities. This paper used longitudinal data from the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE). Results suggest that the international potential of a new venture as a whole is a significant determinant of subsequent internationalisation activities. However, having a diverse international experience from a variety of foreign countries appears to be more beneficial than a long-lasting experience from only a limited number of foreign countries. Furthermore, analyses showed that the interplay of high growth ambitions and the depth of international experience positively affect internationalisation activities. Opportunity or necessity driven entrepreneurship, however, neither exaggerate nor weaken the positive relationship between international potentials and internationalisation activities. Similarly, no moderation by firm stages was found.

INTRODUCTION

For more than two decades, particular interest has grown in the emerging field of International Entrepreneurship, reflecting the fusion between entrepreneurship and international business research (McDougall & Oviatt, 2000). Interesting questions have emerged as to why some new ventures go international very early, while others do not follow a rapid international path. Previous research has shown that capabilities and a global mindset of entrepreneurs may foster an early entry into foreign markets (Acedo & Jones, 2007; McDougall, Shane, & Oviatt, 1994). In addition, entrepreneurial motivations may be critical for internationalisation activities of a new venture (Santos & García, 2011; Shane, Locke, & Collins, 2003). Also, the developing firm stages of a new venture are an important aspect (Jones, 2001; Keupp & Gassmann, 2009).

Past research often examined factors and motivations potentially influencing internationalisation activities separately. Those studies did not investigate the interplay of potentially beneficial factors, such as the influence of entrepreneurial motivations on the utilisation of knowledge and abilities (Shane et al., 2003). This research aims to fill this gap by examining a set of indicators and their interplay with each other. The focus is on four key constructs: International potential, entrepreneurial motivation, firm stages and internationalisation activities.

LITERATURE REVIEW AND HYPOTHESES

Traditionally, international business scholars used a stage-based view for examining the internationalisation process (Johanson & Vahlne, 1977); e.g. the Uppsala model. This model proposes that firms in the first instance accumulate experiences in their domestic market and then gradually enter foreign markets (Johanson & Vahlne, 1977). A different type of venture has been found not to follow this stage-based path (McDougall, 1989). Therefore, stage-based frameworks turned out not be sufficient for describing these ventures (McDougall et al., 1994). Rather, Oviatt and McDougall (1994) theorised the International New Ventures (INV) framework: An INV is “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”

(Oviatt & McDougall, 1994, p. 49). McDougall et al. (1994) argue that the founders of INVs are especially alert to internationalisation opportunities due to their knowledge, background and networks.

Potential factors influencing internationalisation activities

For early internationalising activities, knowledge from international experience and network contacts have been found to play a major role (Karra, Phillips, & Tracey, 2008). Thereby, entrepreneurs are likely to have a higher propensity to internationalise their venture and they may be better able to overcome barriers to internationalisation (Drori, Honig, & Wright, 2009; Madsen & Servais, 1997). These factors can be understood as the international potential to engage in international activities.

Prior knowledge

Founders or managers of entrepreneurial firms who have a larger stock of prior international knowledge are more likely to pursue opportunities for internationalisation activities earlier and implement them more rapidly (Oviatt & McDougall, 2005). Uncertainty associated with operating in foreign markets is decreased (Autio, Sapienza, & Almeida, 2000). Prior knowledge related to internationalisation activities is sourced from international experience among the venture team – due to work, education or personal experience (Oviatt & McDougall, 2005; Shane & Venkataraman, 2000). International experience is conceptualised as a multidimensional construct (Clarke, Tamaschke, & Liesch, 2013). It may be split into two dimensions – the depth and the diversity of the international experience. That is, the amount of time an individual has spent in a country abroad and the number of countries an individual visited (Leonidou, Katsikeas, & Piercy, 1998). By having spent a certain time abroad an entrepreneur was exposed to the foreign culture and thereby able to learn about the market characteristics (Leonidou et al., 1998). Additionally, having experiences from a diverse number of countries may equip entrepreneurs with an international outlook (Hutchinson, Quinn, & Alexander, 2006). Therefore, the following hypotheses are stated:

Hypothesis 1a: Higher levels of depth of international experience among the new venture team positively influence the level of internationalisation activities.

Hypothesis 1b: Higher levels of diversity of international experience among the new venture team positively influence the level of internationalisation activities.

Networks

Networks in which INVs are engaged in can facilitate a rapid internationalisation process (Oviatt & McDougall, 1994). Networks can enable the access to international opportunities and overcome liabilities of foreignness and newness (Arenius, 2002). Both the networks of the firm and the networks of the founders have been found to explain the international development of new ventures (Rialp, Rialp, & Knight, 2005). Arenius (2002) states that the availability of international networks equips firms with a competitive advantage for internationalisation activities. Therefore, the following hypothesis is proposed:

Hypothesis 1c: Enhanced networks among new venture teams positively influence the level of internationalisation activities

Entrepreneurial motivation

Motivation is crucial for the entrepreneurial process (Shane et al., 2003) and plays a critical role for the internationalisation behaviour of a new venture (Acedo & Jones, 2007; Santos & García, 2011). In the entrepreneurship literature, differences between opportunity and necessity motivations are a major concept (Giacomin, Janssen, Guyot, & Lohest, 2011). Furthermore, an

entrepreneur may be motivated by the ambition to achieve growth and profit (Hessels, Van Gelderen, & Thurik, 2008).

Opportunity and necessity motivation

According to Reynolds, Bygrave, Autio, Cox, and Hay (2002) there are two major motivations why individuals engage in an entrepreneurial activity: “They perceive a business opportunity” or “they see entrepreneurship as their last resort” (p. 16). A common example for the latter motivation – necessity – is unemployment (Verheul, Thurik, Hessels, & van der Zwan, 2010). The type of motivation has been found to influence the development of the new venture. Previous research provides evidence that having started a business from an opportunity motivation is related to higher export ambitions (Reynolds et al., 2002). Analysis of Global Entrepreneurship Monitor (GEM) data suggests that among entrepreneurs who export, the vast majority were opportunity driven (Reynolds et al., 2002). Hence, having started a business from an opportunity motivation is likely to have a positive influence on internationalisation activities while necessity driven entrepreneurship may have a negative influence. Therefore, the following hypothesis is stated:

Hypothesis 2a: Necessity motivation among new venture teams negatively influences the level of internationalisation activities

Growth orientation

Delmar and Wiklund (2008) define the growth motivation of a small business owner “as the aspiration to expand the business” (p. 438). Delmar and Wiklund (2008) suggest that growth motivation has a positive effect on actual firm growth. As Hessels and van Stel (2011) summarise, an internationalisation activity in the form of exporting goods and services is related to business growth. The aspiration to achieve growth may be implemented by an internationalisation activity. Therefore, the following hypothesis is proposed:

Hypothesis 2b: A high growth orientation among new venture teams positively influences the level of internationalisation activities

Buffering role of entrepreneurial motivation

Examining opportunity, necessity and growth motivations suggests that these motivations are likely to affect the relationship between international potentials and internationalisation activities. Locke and Latham (2004) state that motivation can affect “how and to what extent they [people] utilize their skills and abilities” (p. 388). Thus, the utilisation of one’s knowledge when undertaking an activity may be influenced by motivation (Locke & Latham, 2004). This interaction is incorporated in components of the goal setting theory. Basically, the theory examines why some individuals perform better on work tasks than others do (Latham & Locke, 1991). As outlined by Latham and Locke (1991) “if they are equal in ability and knowledge, then the cause must be motivational” (p. 213). Transferring this to the context of early internationalising new ventures, it can be assumed that it affects how ability and knowledge are implemented for a potential internationalisation activity.

Shane et al. (2003) state that the change of individuals from one stage of the entrepreneurial process to another is influenced by motivations. According to Zahra, Korri, and Yu (2005) motivations can reveal linkages between entrepreneurs and their choices on internationalisation activities. Hence, motivation is likely to influence the relationship between potential factors facilitating an early internationalisation of the entrepreneurial firm and the actual internationalisation activity. Therefore, the following hypotheses are stated:

Hypothesis 3a: Growth orientation moderates the relationship between the depth of international experience and the level of internationalisation activities, such that the

positive effects of the depth of international experience on internationalisation activities are exaggerated if firms are driven by a high growth orientation.

Hypothesis 3b: Growth orientation moderates the relationship between the diversity of international experience and the level of internationalisation activities, such that the positive effects of the diversity of international experience on internationalisation activities are exaggerated if firms are driven by a high growth orientation.

Hypothesis 3c: Growth orientation moderates the relationship between network contacts and the level of internationalisation activities, such that the positive effects of network contacts on internationalisation activities are exaggerated if firms are driven by a high growth orientation.

Hypothesis 3d: Necessity motivation moderates the relationship between the depth of international experience and the level of internationalisation activities, such that the positive effects of the depth of international experience on internationalisation activities are buffered if firms are driven by necessity motivation.

Hypothesis 3e: Necessity motivation moderates the relationship between the diversity of international experience and the level of internationalisation activities, such that the positive effects of the diversity of international experience on internationalisation activities are buffered if firms are driven by necessity motivation.

Hypothesis 3f: Necessity motivation moderates the relationship between network contacts and the level of internationalisation activities, such that the positive effects of network contacts on internationalisation activities are buffered if firms are driven by necessity motivation.

Firm stages

Entrepreneurship does not occur at a single point in time; it is rather a process and a sequence of events and activities (McMullen & Dimov, 2013). Clearly, the firm stage changes over time and internationalisation activities are a process interrelated with the development of the entrepreneurial firm (Keupp & Gassmann, 2009). Internationalisation processes are often initiated during the gestation process of the firm (Oviatt & McDougall, 2005). Therefore, the very early years of an emerging firm should be explored when examining relationships between firm stages and internationalisation activities.

Nascent and young firms

Nascent ventures are in the process of gestation and incubation (Reynolds & Miller, 1992). The focus on nascent ventures is crucial in research on early internationalising firms. These firms enter foreign markets frequently at inception (Oviatt & McDougall, 1994). Hence, in many cases the process of internationalisation has been initiated during gestation. In contrast to nascent firms, young firms are formally established and operate in the market. After an early international commitment, international new ventures tend to increase their international activities over time (Sleuwaegen & Onkelinx, 2014). Therefore, the following hypothesis is stated:

Hypothesis 4a: Young firms in contrast to nascent firms exhibit higher levels of internationalisation activities.

Impact of firm stages on the relationship between potential and activities

Following a process view on new venture internationalisation, it is consequential that firm stages are likely to have an impact on internationalisation activities (Jones & Coviello, 2005).

Internationalisation is interrelated with the development of the entrepreneurial firm (Keupp & Gassmann, 2009). Knowledge enhances over time, in particular if it can be based on a pre-existing knowledge stock (Shepherd & DeTienne, 2005). This, in turn, may have further positive effects on new venture internationalisation. Hence, during the life-cycle of the firm, entrepreneurs can gain additional knowledge which may foster internationalisation activities.

Also networks change over time (Coviello, 2006; Oviatt & McDougall, 2005). During the internationalisation process, new ventures increase their networks in size and range by building on existing social capital (Arenius, 2002; Coviello, 2006). As the venture develops from a nascent to a young firm, the factors facilitating internationalisation activities are accumulated and enhanced during the firm's life-cycle. Therefore, the following hypotheses are proposed:

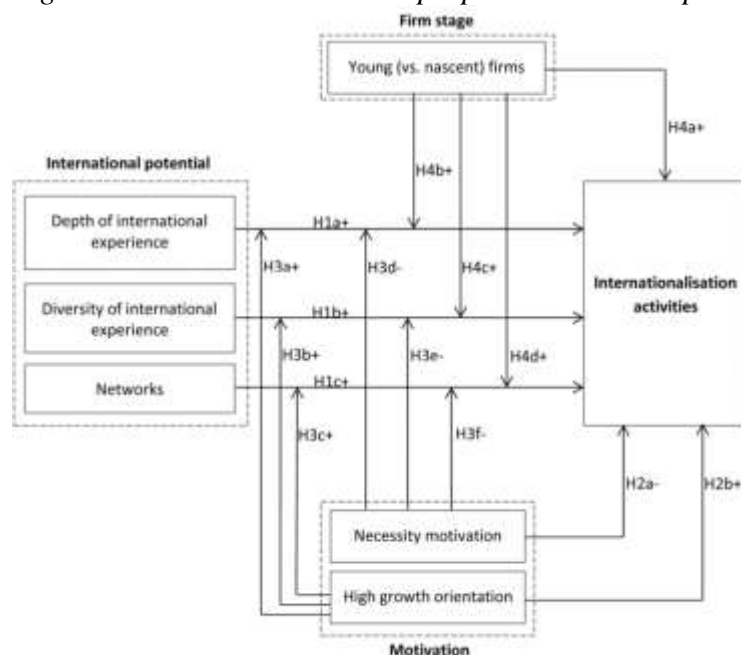
Hypothesis 4b: Firm stages moderate the relationship between the depth of international experience and the level of internationalisation activities, in that way that the positive effects of the depth of international experience on internationalisation activities are more distinct when entrepreneurial firms are classified as young firms.

Hypothesis 4c: Firm stages moderate the relationship between the diversity of international experience and the level of internationalisation activities, in that way that the positive effects of the diversity of international experience on internationalisation activities are more distinct when entrepreneurial firms are classified as young firms.

Hypothesis 4d: Firm stages moderate the relationship between network contacts and the level of internationalisation activities, in that way that the positive effects of network contacts on internationalisation activities are more distinct when entrepreneurial firms are classified as young firms.

The proposed relationships are summarised in the research model shown in figure 1.

Figure 1: Research model with proposed relationships



METHODOLOGY

Research design, data and sample

This study adopts a process view to examine potential determinants of internationalisation activities and the actual level of internationalisation. Hence, data is needed that has been collected over a period of years in order to investigate potential determinants at one point in time, and the outcome at a subsequent point in time. Furthermore, attempting to assess a process with a cross-sectional design would be susceptible to retrospective and hindsight bias (Davidsson et al., 2004). Hence, longitudinal data is required which comprises nascent and young firms. Therefore, this research uses data from the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE) (Davidsson, Steffens, & Gordon, 2008). This study draws a random sample of nascent firms ($n=625$) and young firms ($n=561$) from the CAUSEE dataset. Entrepreneurs participating in CAUSEE were interviewed every 12 months for four years (Davidsson, Steffens, & Gordon, 2011). For testing the hypotheses, data from the first three waves is used. The independent variables are represented by data from wave 1. The dependent variable is represented by the subsequent wave 2. Data from wave 3 on internationalisation activities is used as a robustness test.

Variables and measures

Depth of international experience is measured by the total number of years members of the venture team spent in a country other than Australia. The number of years has been used in previous studies as an indicator for international experience (Kundu & Katz, 2003).

Diversity of international experience is measured as the accumulated number of countries other than Australia in which members of the venture team worked or studied for a period of three months or more. Previous studies suggest that not only the time spent abroad but also the diversity plays a role for internationalisation activities (Hutchinson et al., 2006; Leonidou et al., 1998).

Networks are measured as a competitive advantage relative to other firms. Respondents were asked to self-assess – compared to other firms – their ability (1) to use the firm's networks to influence the firm's environment, (2) to use the firm's network to access useful knowledge and (3) to use personal networks for business purposes. Each question was answered on a 5-point-Likert-type-scale. The network variable for this study is captured by a composite score comprising these three items. Internal consistency reliability analysis resulted in a very good Cronbach's alpha coefficient of .80 ($n=1076$) for the construct (Hair et al., 2011).

Necessity versus opportunity entrepreneurship. CAUSEE data captures the difference between opportunity and necessity motivation with the help of the following question: "What is truer for you: Are you involved in this business to take advantage of a business opportunity or because you have no better choices for work?" This variable is dichotomous and coded as 1=necessity entrepreneurship and 0=opportunity entrepreneurship.

Growth orientation is measured by the preference for the future of operating the business to be as large as possible as opposed to operating a smaller manageable business. The variable is dichotomous representing either a large growth orientation (coded as 1) or the absence of a large growth orientation (coded as 0).

Nascent versus young firm. Nascent firms are classified in the CAUSEE data by a series of questions mostly harmonised with an established operationalisation in the Panel Study of Entrepreneurial Dynamics (PSED) (Davidsson et al., 2008). This variable is dichotomous reflecting whether the venture represents a nascent or young firm. It is coded as 1=young firm and 0=nascent firm.

Internationalisation activities. The dependent variable in this study is the level of internationalisation activities. As a proxy for internationalisation activities the measure of

international revenue as a percentage of total revenue is widely used in the literature (Javalgi & Grossman, 2014). However, Sullivan (1994) suggests not to use only a single item or aspect to measure internationalisation of a firm. Furthermore, this study focusses on the level of internationalisation activities and not the magnitude of individual indicators. Therefore, this study uses a formative measurement score in order to represent the level of internationalisation activities. It includes whether each of the following international activities apply or not: (1) Export via an Australian intermediary, (2) export to the customer directly, (3) export via an international office, (4) indirect exporting via Australian customers, (5) export via an international mediator, (6) personal exchange of ideas and information with colleagues abroad, (7) exchange of ideas and information with colleagues abroad via phone, email or internet, (8) import of goods/services, (9) collection of written or electronic information from abroad, (10) selling internationally, (11) selling to international visitors and (12) international licensing agreement.

Control variables. In terms of internationalisation activities, there are considerable differences between service and non-service firms (Lewis & Minchev, 2001). Therefore, this study controls whether a new venture is classified as being either a service or a product-based firm. Furthermore, this study controls for brick and mortar businesses in contrast to e-businesses. E-business activities may facilitate internationalisation activities in contrast to sole brick and mortar competitors due to wider market opportunities (Davis & Harveston, 2000). Also, several studies have shown that the industry impacts on the propensity to internationalise (Rialp et al., 2005). The CAUSEE dataset captures 17 industry sectors. This study aims to investigate the influence of international experiences in particular. Therefore, the analysis accounts for possible effects of higher education in general. As a proxy it uses the existence of a university degree in the venture team. Accounting for socio-demographic differences, this study controls for the ethnicity of the venture team. Entrepreneurs with a migration history may be able to use their background as an advantage for operating international ventures (Drori et al., 2009). Finally, this study controls for the gender composition of the venture team. Previous studies found differences between male and female entrepreneurship, for example in regards to size and growth of the business (Fischer, Reuber, & Dyke, 1993).

Data analysis

For testing the hypotheses, two-way moderated multiple regression analysis is applied, since the hypothesised moderators may influence the relationship between the independent and the dependent variable (Sharma, Durand, & Gur-Arie, 1981). Three moderated regression models are constructed testing for interaction effects of necessity versus opportunity motivation, growth orientation, and nascent versus young firms respectively.

RESULTS

Overall, the variables do not show high correlations with each other. Only the outcome variable internationalisation activity drawn from wave 2 is strongly correlated with the corresponding outcome variable from wave 3 ($r=.60, p<.01$). However, this was expected since it measures the same construct just at different points in time. The remaining variables demonstrate low to moderate correlations (Cohen, 1988). This indicates that multicollinearity is not a serious issue in the analyses (Hair et al., 2011).

Table 1: Results from the two-way moderated regression analyses

Predictors	Internationalisation Wave 2 β	Internationalisation Wave 3 β
<i>Covariates</i>		
Brick & Mortar Venture	-.21***	-.26***
Ethnicity of venture team (Non-European)	.09*	.13**
Gender Composition of venture team (male)	.05	.04
Services (or Product)	-.11*	-.07
University degree in venture team	.03	.06
Industry: Agriculture	-.05	-.07
Industry: Business Consulting	-.01	-.02
Industry: Communications	.05	-.05
Industry: Consumer Services	-.13*	-.11*
Industry: Construction	-.16***	-.17**
Industry: Finance	-.08†	-.16**
Industry: Health, Education, Social	-.05	-.11†
Industry: Hospitality	-.07†	-.12*
Industry: Insurance	.06	.02
Industry: Manufacturing	-.05	-.06
Industry: Mining	-.02	-.04
Industry: Real Estate	-.04	-.05
Industry: Retail	-.07	-.15*
Industry: Transport	-.07†	-.08†
Industry: Utilities	-.03	-.06
Industry: Wholesale	-.01	-.04
Adj. R ²	.10***	.12***
<i>Main Effects</i>		
Networks	.07†	.11**
International Experience Depth	.03	.07
International Experience Diversity	.22***	.14**
ΔR^2	.06***	.05***
Model 1: Interaction with Growth Orientation		
<i>Moderator</i>		
Growth Orientation	.06†	.04
ΔR^2	.00†	.00
<i>Two-way interactions</i>		
Networks * Growth Orientation	-.03	-.03
Int. Experience Depth * Growth Orientation	.11*	.14*
Int. Experience Diversity * Growth Orientation	-.03	-.07
ΔR^2	.01	.01†
Model 2: Interaction with Necessity Driven Entrepreneurship		
<i>Moderator</i>		
Necessity Driven Entrepreneurship	-.04	.01
ΔR^2	.00	.00
<i>Two-way interactions</i>		
Networks * Necessity Entrepreneurship	-.01	.06
Int. Experience Depth * Necessity Entrepreneurship	-.01	-.06
Int. Experience Diversity * Necessity Entrepreneurship	.07	.10 †
ΔR^2	.00	.01
Model 3: Interaction with Young firm		
<i>Moderator</i>		
Young firm	.07†	.03
ΔR^2	.00	.00
<i>Two-way interactions</i>		
Networks * Young firm	.04	-.02
Int. Experience Depth * Young firm	-.05	-.06
Int. Experience Diversity * Young firm	.02	.08
ΔR^2	.00	.00

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$

Multivariate analysis

Results for the three moderated hierarchical multiple regression models for hypotheses testing are shown in table 1.

Main effects

Entry of the international potential as a set significantly improves the prediction of internationalisation activities at the time of wave 2 ($R^2 \text{ Ch.} = .06$, $F(3, 659) = 15.40$, $p < .001$). As hypothesised (H1b) the diversity of international experience is positively related to internationalisation activities at wave 2 ($\beta = .22$, $p < .001$). Networks have a marginally significant positive relationship with internationalisation activities at the time of wave 2 ($\beta = .07$, $p < .10$) and a significant relationship at wave 3 ($\beta = .11$, $p < .01$), weakly supporting Hypothesis 1c. No support, however, can be found for Hypothesis 1a proposing that the depth of international experience predicts internationalisation activities. The robustness test with data for internationalisation activities drawn from wave 3 shows a similar pattern.

Entrepreneurial motivation

Growth orientation is marginally significantly related to subsequent internationalisation activities in wave 2 ($\beta = .06$, $p < .10$), weakly supporting Hypothesis 2b. No significant direct effect can be found for necessity driven entrepreneurship, even though the tendency is negative ($\beta = -.04$, *n.s.*). For internationalisation activities at the time of wave 3, as with the dependent variable from wave 2, necessity driven entrepreneurship is not significant. Also, growth orientation does not have a significant direct effect any longer.

Firm stages

The analysis indicates that there is a marginal significant positive relationship between young firm and internationalisation activities ($\beta = .07$, $p < .10$), weakly supporting Hypothesis 4a. The significant direct effect, however, disappears when a robustness test is conducted with the dependent variable drawn from wave 3 of the data.

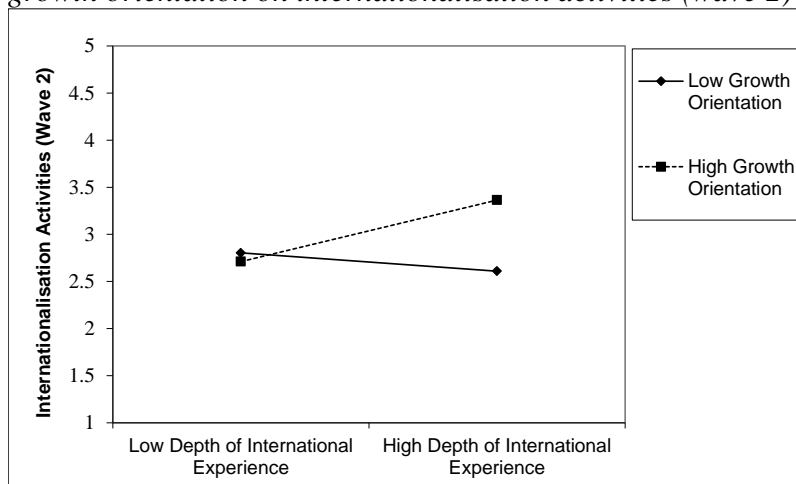
Interaction effects

Tests reveal a significant positive interaction between the depth of international experience and growth orientation ($\beta = .11$, $p < .05$) in predicting internationalisation activities from wave 2. Also the robustness test with internationalisation activities from wave 3 supports the interaction effect ($\beta = .14$, $p < .05$). The two other proposed interaction effects for growth orientation, however, are not significant.

In order to further examine the nature of the interaction effect, simple slopes analyses are conducted. Figure 2 shows the slopes for the outcome variable drawn from wave 2. Results reveal that the effects of a high depth of international experience on internationalisation activities are more marked for those new venture teams which have a high growth orientation. Thereby, the results are in support of Hypothesis 3a.

The proposed interaction effects with necessity driven entrepreneurship are not significantly related to internationalisation activities at the time of wave 2. Testing the model with the outcome variable from wave 3 results in one marginally significant two-way interaction between the diversity of international experience and necessity driven entrepreneurship ($\beta = .10$, $p < .10$). Necessity motivation exaggerates the effect of a high diversity of international experience on internationalisation activities in wave 3. In contrast, opportunity motivation exaggerates the effect if the diversity of international experience is low. Thereby, the results do not support hypothesis 3e. Regarding the proposed interaction effects with young versus nascent firms, no significant interactions can be found, neither for predicting internationalisation activities from wave 2 nor from wave 3.

Figure 2: Simple slopes for the interaction between depth of international experience and growth orientation on internationalisation activities (wave 2)



DISCUSSION

Overall, the results are in line with previous studies suggesting that international experience is beneficial for new venture internationalisation ([Oviatt & McDougall, 2005](#); [Shane & Venkataraman, 2000](#)). However, separate consideration of the depth and diversity of international experience yields interesting findings. Having a diverse international experience – that is, having spent time in a variety of foreign countries – appears to be more beneficial for new venture internationalisation than a deep and long-lasting experience from only a limited number of foreign countries. This plurality relating to many countries may broaden the horizon of the entrepreneur, facilitating the development of a global mindset, rather than a particular strength focussing on, for example, only one foreign country. Also [Hutchinson et al. \(2006\)](#) relate such a mindset to the diversity of international experience. Thereby, entrepreneurs are aware of a variety of foreign market opportunities. This can also be related to the theoretical and conceptual work on International New Ventures which incorporates a more global rather than gradual and discrete internationalisation ([Oviatt & McDougall, 1994](#)).

Another constituent of international potential in this study were network contacts. By and large, this study supports previous findings ([Arenius, 2002](#); [Rialp et al., 2005](#)). Results show, depending on the time period, a significant or marginally significant relation between networks and the level of internationalisation activities. Networks provide new ventures with a competitive advantage for internationalisation activities in different ways. Networks may make new venture teams alert for international opportunities. For example, they may transfer knowledge relating to market and sourcing opportunities, or promising demand-patterns in a foreign market. Furthermore, networks may help to overcome foreign market entry barriers and the liability of foreignness. The initial marginal significance of networks on internationalisation activities in wave 2 could be explained by the dynamics of networks. That is, networks change over time. As [Coviello \(2006\)](#) proposes, these changes allow new ventures on their path to internationalisation to accumulate expanding network advantages. This process may take some time and so there may be a delay before a firm can make use of it for actual internationalisation activities.

This study proposed that entrepreneurial motivations affect the level of internationalisation activities among new ventures. Results revealed only partial and weak evidence for a relationship between high growth orientation and internationalisation activities. Even though the relationship is comparably weak, it suggests consistency with previous research on the relationship between growth motivation and internationalisation ([Hessels et al., 2008](#)). One

explanation for this could be the variability of motivations as outlined by Shane et al. (2003). Accordingly, motivations might matter in some cases, but not in others. For some new venture teams internationalisation may be a means to fulfil their growth aspirations, for others this motivation may result in different means to achieve them, i.e. growing in the domestic market. Another explanation might be a gap between dream and reality. A new venture may aim to start a business with the motivation to have it become as large as possible. However, new ventures may overestimate their potential and therefore be too optimistic.

No significant direct effect between necessity driven entrepreneurship and the level of internationalisation activities could be found. Previous findings indicate that necessity driven new ventures are less likely to pursue internationalisation activities (Dana, Hamilton, & Wick, 2009; Reynolds et al., 2002). This study suggests that whether a new venture is primarily driven by opportunity or necessity motivation does not explain subsequent levels of internationalisation activities. Other factors such as prior knowledge and network contacts appear to be of higher importance. That is, this positive stock of human and social capital might outperform potentially negative effects due to necessity driven entrepreneurship. Another explanation may be found based on the type of the business and its products or services. Hennart (2014) proposes that internationalisation activities are linked to the business model of a new venture. Some firms, for example, sell niche products to globally spread customers with demand generated of its own volition. This means the new ventures are engaging in internationalisation activities due to the nature of their products and services, without actively seeking to become engaged in foreign markets. Thus, motivation would not play a significant role.

The analysis has shown that firm stages have a marginally significant direct effect on internationalisation activities. Compared to nascent firms, young firms exhibit higher levels of internationalisation activities. This may be reasonably explained by the characteristic that a young firm is already in operation, while a nascent firm is still preparing its operational activities. Following theoretical rationales, a young firm can be engaged in more internationalisation activities, for example, export and import activities. A nascent firm, in contrast, might only be engaged in preliminary activities in order to prepare international expansion, for example, idea exchange and collection of information from abroad.

Hypothesis testing of the interaction effects revealed a significant moderation effect between the depth of international experience and growth orientation. International experience from many countries directly influences levels of internationalisation activities in a positive sense. For a positive influence of the depth of international experience, however, the nature of the growth orientation is crucial. Without accompanying high growth orientation, the number of years spent abroad does not impact the level of internationalisation activities. That is, having experience from many countries by itself is beneficial for new venture internationalisation. Whether a venture team is driven by high or low growth orientations does not play a pivotal role. Yet growth orientation does play a role if new venture teams aim to capitalise on a long-lasting experience abroad. This experience might be seen as given and innate by the members of the venture team and they might not realise benefits from this experience. A high growth orientation could possibly trigger the recognition of concealed opportunities and foster an engagement in internationalisation activities. Venture teams highly motivated to achieve a business as large as possible might also be more receptive to realise an opportunity. It can be assumed that they are more motivated to detect these opportunities and utilise potential benefits from previous international experience.

Whether a new venture is a nascent firm (that is, in its gestation activities) or a young firm (that is, already in operation) does not influence the impact of depth and diversity of international

experience and network contacts on levels of internationalisation activities. These findings may be seen as a support and extension of the International New Venture framework. Internationalisation activities occur early to such an extent that there are no moderating effects of firm stages. In other words, there is no major difference in the utilisation of international experiences and networks contacts whether the firm is still in its gestation or already in operation. Entrepreneurial new ventures use their social and human capital even before they enter the market in order to assess and pursue internationalisation activities. This supports the theoretical notion that these types of firms are different to traditional international companies which follow a staged-based internationalisation. Additionally, the results suggest that international new ventures are 'global' even before they are officially born. This finding would add to the knowledge by expanding the theoretical frameworks prior to the 'birth' of the international new venture.

One theoretical contribution of this study is the process view on internationalisation activities, incorporating nascent firms which are still in their gestation activities. In doing so, a particular strength of entrepreneurship research is considered (Davidsson, 2006). Oviatt and McDougall (2005) proposed that internationalisation activities of early internationalising firms may be traced back to the gestation process. This study shows that pivotal prerequisites for internationalisation activities are prevalent and already occur before a new venture is operating in the marketplace. Human and social capital are exploited from the very beginning, irrespective of the firm stage. These findings support and expand the theoretical frameworks on early internationalising firms. This study also shows that the construct of international experience is not unidimensional. Rather it should be differentiated between the diversity and depth of international experience. These underlying conceptualisations may have different effects for early internationalising firms. This study contributes also to the research stream by addressing the gap of testing for interaction effects between international potential and entrepreneurial motivations. These effects had not been explored sufficiently before (Shane et al., 2003).

This study also has some practical implications. The findings emphasise the importance of a diversity of international experience and network contacts for new venture teams who aim to internationalise their firm. It may therefore be more valuable for entrepreneurs to accumulate experiences from a variety of foreign countries. Shorter work stays or study periods abroad appear to be sufficient to equip entrepreneurs with a useful set of tools to foster internationalisation activities. Entrepreneurs should bear in mind that a network of contacts is critical when engaging in international activities. Facilitating international exchange between (nascent) entrepreneurs across countries may endow entrepreneurs with a competitive advantage and foster international business activities. Results also suggest that entrepreneurial motivations appear to be only of minor importance if new venture teams possess a diversity of international experience and substantial network contacts. Different support schemes for necessity and opportunity driven entrepreneurs, as suggested in some literature, may not be required in terms of internationalisation activities. A further important implication is that new ventures should be appreciated as early as possible in their developmental stage. Even if a venture is not in operation yet, enhancing a diversity of international experience and network contacts during gestation may be beneficial for an early internationalisation of the firm.

Limitations

As every piece of research also this study has its limitations. While this study has the advantage of being able to access longitudinal data, the observed time frame might not be sufficient. Future research could, without omitting the very early stages, observe new venture internationalisation during a longer time period. As many quantitative studies based on surveys

are, this research might be exposed to common method biases. These may result from a common source, item characteristics and item context, and the measurement context (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Additionally, the formative outcome variable internationalisation activities incorporates measures of network-like contacts which may be seen as similar to measurements reflecting the predictor network variable. However, this potential common method bias is reduced because predictors and outcome variable were measured at different points in time and by different items (Podsakoff, MacKenzie, & Podsakoff, 2012). Another source of bias which cannot be entirely eliminated is that survey questionnaires are subject to personal biases, in particular social desirability, leniency biases and the transient mood state (Podsakoff et al., 2003).

Another limitation refers to the validity of the dependent variable. Since the outcome variable is a formative construct, its content validity may be limited. That is, whether the scale items adequately cover the construct being measured (Malhotra, 2006). Similar concerns may arise in relation to the construct validity of the dependent variable. In order to test the validity, future research could follow a similar approach rather than relying on a one-dimensional construct to measure internationalisation activities.

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